

Message Text

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AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

AMEMBASSY THE HAGUE

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C O N F I D E N T I A L EC BRUSSELS 1949

C O R R E C T E D C O P Y (LUXEMBOURG ADDED AS INFO ADDEE)

E.O. 11652: GDS

TAGS: EGEN, UNGA, EEC

SUBJECT: UNGA: APRIL 9 SPECIAL SESSION

REFS: A) EC BRUSSELS 1899

B) EC BRUSSELS 1927

C) EC BRUSSELS 1567

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1. THE EC PERMANENT REPRESENTATIVES DISCUSSED THE COMMUNITY'S

POSITION AT THE APRIL 9 UNGA SPECIAL SESSION AT A MEETING ON MARCH 27. THEY HAVE PREPARED A PAPER, BASED ON THE COMMISSION'S PROPOSALS (PARA 8 OF REF C), WHICH WILL BE CONSIDERED BY THE EC COUNCIL AT ITS MEETING ON APRIL 1-2. THE PRINCIPAL POINTS OF THE PROPOSED EC POSITION ARE AS FOLLOWS:

2. ELEMENTS OF A COMMUNITY POSITION

THE PROBLEMS FACING THE WORLD COMMUNITY CAN ONLY BE SOLVED ON A WORLD WIDE BASIS. BECAUSE OF ECONOMIC INTERDEPENDENCE, THE INTERNATIONAL COMMUNITY MUST SERIOUSLY TRY TO FIND SOLUTIONS TO THOSE PROBLEMS WHICH AFFECT IN PARTICULAR LDCS. THIS EFFORT MUST BE BASED ON THE MAINTENANCE AND REINFORCEMENT OF THE MULTILATERAL SYSTEM OF ECONOMIC RELATIONS, IN PARTICULAR TO PREVENT ANY RISK OF A RETURN TO BILATERALISM. BECAUSE OF THE RECENT INCREASE IN THE PRICE OF RAW MATERIALS, ESPECIALLY PETROLEUM, IT IS NECESSARY TO ASSESS THE IMPLICATIONS OF THE RISE IN PRICES AND SUPPLY DIFFICULTIES FOR ALL COUNTRIES. THIS ANALYSIS MUST DIFFERENTIATE BETWEEN PRODUCTS AND THE PARTICULAR SITUATION IN THE COUNTRIES CONCERNED. WORLD ECONOMIC DEVELOPMENT IS AT STAKE AND CHANGES IN THE TERMS OF TRADE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES INDICATE THE NECESSITY TO ARRIVE AT A NEW WORLD ECONOMIC EQUILIBRIUM.

3. IN THEIR OWN INTEREST, ALL COUNTRIES MUST MAKE AN EFFORT TO AVOID AN ECONOMIC DEPRESSION. MANY COUNTRIES, PARTICULARLY THOSE WITHOUT ENERGY RESOURCES OR RAW MATERIALS, ARE GOING THROUGH A DIFFICULT PERIOD IN ADAPTING TO THE NEW DISTRIBUTION OF WORLD RESOURCES, AND IN TRYING TO SLOW DOWN WORLD INFLATION.

4. THE COMMUNITY INTENDS TO CONTRIBUTE TO A STUDY OF THE READJUSTMENT OF RAW MATERIAL PRICES. THESE PRICES SHOULD BE REMUNERATIVE FOR THE PRODUCERS AND EQUITABLE FOR THE CONSUMERS, KEEPING IN MIND ANY READJUSTMENTS SHOULD BE SUCH AS TO REDUCE NEGATIVE CONSEQUENCES SO THAT PROGRESS CAN BE MADE FOR THE BENEFIT OF ALL.

5. THE COMMUNITY CAN CONTRIBUTE MORE EFFECTIVELY TO THE DEVELOPMENT PROCESS IF STABLE ECONOMIC RELATIONS AND TRADE ARE MAINTAINED. THE PROPER FUNCTIONING OF INTERNATIONAL

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ECONOMIC TRADE DEPENDS ON THE SECURITY OF SUPPLY FOR GOODS ON FAIR TERMS.

6. THE COMMUNITY, AWARE OF THE GROWING SCARCITY OF RAW MATERIALS, WILL CONTRIBUTE TO APPROPRIATE INTERNATIONAL INITIATIVES WHICH ARE INTENDED TO ASSURE THE CONSERVATION OF RAW MATERIALS AND THE DEVELOPMENT OF NEW RESOURCES.

7. IN THE LONG RUN, THE COMMUNITY WILL MAKE A CONTRIBUTION TO THE SOLUTION OF WORLD ECONOMIC PROBLEMS THROUGH TRADE AND AID. IT BELIEVES THIS SHOULD BE DONE IN THE FRAMEWORK OF THE GATT, UNCTAD, AND THE IMF. IT ALSO CONSIDERS THAT IT IS POSSIBLE TO CONCLUDE COMMODITY AGREEMENTS IN APPROPRIATE CASES, TAKING INTO ACCOUNT THE NEW SUPPLY AND DEMAND SITUATION. (THE GERMANS RESERVE THEIR POSITION ON THIS REFERENCE TO COMMODITY AGREEMENTS.) THE COMMUNITY HOPES THAT ALL INDUSTRIALIZED COUNTRIES WILL ADOPT A SYSTEM OF GENERALIZED PREFERENCES BENEFITING ALL THE DEVELOPING COUNTRIES.

8. THE COMMUNITY MAKES AN IMPORTANT CONTRIBUTION TO LDCS THROUGH ITS FOOD AID PROGRAM. IT WELCOMES THE CONVOCAION OF A WORLD FOOD CONFERENCE TO STUDY THE PROBLEM OF HUNGER AND MALNUTRITION.

9. IN CONNECTION WITH THE COMMISSION'S PROPOSAL (REF B) FOR FINANCIAL ASSISTANCE TO LDCS WITH SERIOUS BALANCE OF PAYMENTS PROBLEMS AS A RESULT OF THE INCREASE IN OIL PRICES, THE PERM REP PAPER NOTES THAT THE EC COUNCIL WILL CONSIDER THE PROPOSAL AT ITS MEETING ON APRIL 1-2.

10. COMMENT: THE PERM REPS ARE RECOMMENDING TO THE COUNCIL THAT FRG FOREIGN MINISTER SCHEEL SPEAK AT THE SPECIAL SESSION ON BEHALF OF THE EUROPEAN COMMUNITY IN HIS CAPACITY AS CURRENT PRESIDENT OF THE EC COUNCIL. IT HAS BEEN DECIDED IN THIS CONNECTION THAT NO ATTEMPT WILL BE MADE TO OBTAIN OBSERVER STATUS FOR THE EC COMMISSION, ALTHOUGH THE COMMISSION WILL HAVE OFFICIALS IN NEW YORK DURING THE SPECIAL SESSION TO ASSIST IN COORDINATING THE COMMUNITY POSITION. DIRECTOR GENERAL FOR EXTERNAL RELATIONS WELLESSTEIN IS SCHEDULED TO BE THERE FOR THE PERIOD, BEGINNING APRIL 9, WHEN FOREIGN MINISTERS WILL BE PRESENT.
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11. THE POSITION PAPER OUTLINED ABOVE REPRESENTS ESSENTIALLY THE ELEMENTS OF A COMMUNITY STATEMENT WHICH SCHEEL WOULD MAKE ON BEHALF OF THE EC. IT CONTAINS LITTLE IN THE WAY OF SPECIFIC PROPOSALS AND RECOMMENDS EXISTING ORGANIZATIONS (GATT, UNCTAD, IMF) AS THE PRINCIPAL APPROPRIATE FRAMEWORK FOR FOLLOW-UP ACTION, ALTHOUGH IT ALSO WELCOMES THE WORLD FOOD CONFERENCE. WOVEN INTO THE PROPOSED EC STATEMENT ARE THE THESES OF INTERDEPENDENCE OF THE WORLD ECONOMY, THE INABILITY OF THE COMMUNITY TO DO ITS SHARE TO HELP THE LDCS IF THE WORLD ECONOMY GOES INTO DEPRESSION AND A RECOGNITION THAT THE TERMS OF TRADE ARE SHIFTING MORE FAVORABLY TOWARD RAW MATERIAL PRODUCERS BUT THAT THE CHANGE MUST NOT BE DISRUPTIVE. THE PAPER REJECTS A BILATERAL SOLUTION TO MATERIAL SUPPLY PROBLEMS AND ADVOCATES A MULTINATIONAL APPROACH (PARAGRAPH 2). THE APRIL 1-2 COUNCIL WILL ALSO HAVE TO DECIDE WHETHER THE

EC IS TO PUT FORWARD AT THE SPECIAL SESSION THE COMMISSION
PROPOSAL FOR A \$3 BILLION EMERGENCY FUND (REF A). END COMMENT.
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